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SERVICE DATE - APRIL 24, 2003

DO

FR-4915-00-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 34329]

Watco Companies, Inc.–Continuance in Control Exemption–Pennsylvania Southwestern Railroad, Inc.

Watco Companies, Inc. (Watco), a noncarrier, has filed a verified notice of exemption to continue in control of Pennsylvania Southwestern Railroad, Inc. (PSWR), upon PSWR's becoming a Class III railroad.

The transaction was expected to be consummated on or after April 1, 2003, the effective date of the exemption (7 days after the notice was filed).

This transaction is related to the concurrently filed verified notice of exemption in STB Finance Docket No. 34328, Pennsylvania Southwestern Railroad, Inc.–Lease and Operation Exemption–J&L Specialty Steel, LLC, wherein PSWR seeks to lease and operate approximately 10.5 miles of rail line currently owned by J&L Specialty Steel, LLC.

At the time it filed this notice, Watco controlled six Class III railroads: the South Kansas and Oklahoma Railroad Company; Palouse River & Coulee City Railroad, Inc.; the Timber Rock Railroad, Inc.; the Stillwater Central Railroad; the Eastern Idaho Railroad, Inc.; and the Kansas & Oklahoma Railroad, Inc., operating in the states of Colorado, Idaho, Kansas, Louisiana, Missouri, Oklahoma, Oregon, Texas and Washington.

Applicants state that: (1) the railroads do not connect with each other or any railroad in their corporate family; (2) the continuance in control is not part of a series of anticipated transactions that would connect the seven railroads with each other or any railroad in their corporate family; and (3) the transaction does not involve a Class I carrier. Therefore, the transaction is exempt from the prior approval requirements of 49 U.S.C. 11323. See 49 CFR 1180.2(d)(2). The purpose of the transaction is to enable Watco to reduce overhead expenses; coordinate billing, maintenance, mechanical and personnel policies and practices of its rail carrier subsidiaries; and improve the overall efficiency of rail service provided by the seven railroads.

Under 49 U.S.C. 10502(g), the Board may not use its exemption authority to relieve a rail carrier of its statutory obligation to protect the interests of its employees. Section 11326(c), however, does not provide for labor protection for transactions under sections 11324-25 that involve only Class III rail carriers. Because this transaction involves Class III rail carriers only, the Board, under the statute, may not impose labor protective conditions for this transaction.

If the verified notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502 (d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 34329, must be filed with the Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on: Karl

Morrell, Of Counsel, Ball Janik LLP, 1455 F Street, N.W., Suite 225, Washington, DC  
20005.

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Decided: April 16, 2003.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams

Secretary